

Message Text

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15

ORIGIN EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 ISO-00 AGR-05 AGRE-00

AID-05 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06

TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01

OMB-01 STR-04 ITC-01 L-03 NSC-05 SS-15 CEA-01 H-02

/105 R

DRAFTED BY EB/ICD/TRP:TJO'DONNELL:BLO

APPROVED BY EB/ICD/TRP:TJO'DONNELL

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R 110059Z SEP 76

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

INFO AMEMBASSY ABIDJAN

AMEMBASSY BOGOTA

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY MEXICO

AMEMBASSY PARIS

AMCONSUL RIO DE JANEIRO

AMEMBASSY SAN SALVADOR

AMCONSUL SAO PAULO

AMEMBASSY TANANARIVE

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E.O. 11652: N/A

TAGS: ETRD, EAGR, BR

SUBJECT: COFFEE: BRAZILIAN PURCHASE OF IVORY COAST AND
MADAGASCAR COFFEE - 2ND AIDE MEMOIRE

1. FOLLOWING IS TEXT OF AIDE MEMOIRE PRESENTED TO

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AMBASSADOR PINHEIRO BY DEPUTY ASSISTANT SECRETARY KATZ

ON SEPTEMBER 10.

BEGIN TEXT

THE UNITED STATES GOVERNMENT CONTINUES TO BE CONCERNED OVER THE ANNOUNCEMENT OF THE PURCHASE BY BRAZIL OF 560,000 BAGS OF COFFEE FROM EL SALVADOR. THAT CONCERN HAS BEEN HEIGHTENED BY NEW REPORTS OF NEGOTIATIONS FOR THE PURCHASE OF COFFEE FROM THE IVORY COAST AND MADAGASCAR. ON THE BASIS OF THE EXPLANATIONS OFFERED THUS FAR, THE UNITED STATES GOVERNMENT DOES NOT FULLY UNDERSTAND THE RATIONALE FOR THE PURCHASE. SINCE ITS AIDE MEMOIRE OF AUGUST 5, THE UNITED STATES GOVERNMENT HAS RAISED THIS ISSUE IN THE MEETING OF THE EXECUTIVE COUNCIL OF THE INTERNATIONAL COFFEE ORGANIZATION. THE BRAZILIAN REPRESENTATIVE AT THAT MEETING WAS UNINSTRUCTED AND NOT PREPARED TO RESPOND.

THE SUCCESS OF THE INTERNATIONAL COFFEE AGREEMENT DUE TO COME INTO EFFECT OCTOBER 1--AS WELL AS CONSIDERATION OF FUTURE COMMODITY AGREEMENTS--DEPENDS IN LARGE MEASURE ON MUTUAL UNDERSTANDING AND COOPERATION AMONG THOSE COUNTRIES WITH THE MAJOR SHARES OF WORLD COFFEE TRADE. THE UNITED STATES GOVERNMENT AND THE GOVERNMENT OF BRAZIL HAVE A SPECIAL RESPONSIBILITY FOR SUSTAINING THE MUTUAL TRUST WHICH SERVED AS THE BASIS FOR CONCLUDING THE NEW AGREEMENT.

UNFORTUNATELY, THE PURCHASES FROM EL SALVADOR AND THE REPORTS OF OTHER PURCHASES RAISE QUESTIONS ABOUT THE INTENTIONS OF THE GOVERNMENT OF BRAZIL. THE UNITED STATES GOVERNMENT RECOGNIZES THAT BRAZIL HAS COMMERCIAL REASONS FOR SUPPLYING ITS FREEZE DRIED COFFEE INDUSTRY WITH ADEQUATE STOCKS. BUT IT FAILS TO UNDERSTAND THE NEED FOR PURCHASES IN EXCESS OF THE CAPACITY OF THIS INDUSTRY. THE SIZE OF THE PURCHASE IS OF PARTICULAR CONCERN, SINCE IT CAN BE CONSTRUED AS AN ATTEMPT TO TAKE ADVANTAGE OF THE VULNERABILITIES OF IMPORTING COUNTRIES IN TODAY'S UNSETTLED MARKET. ITS EFFECT COULD BE TO UNDERMINE THE SUPPORT OF THE U.S. COFFEE INDUSTRY AND CONSUMERS, WHOSE VOLUNTARY COOPERATION IS ESSENTIAL TO THE SUCCESSFUL IMPLEMENTATION OF A SYSTEM OF CERTIFICATES OF ORIGIN FOR LIMITED OFFICIAL USE

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TRACKING WORLD EXPORTS.

THE UNITED STATES GOVERNMENT CANNOT HELP BUT CONCLUDE THAT AT A TIME OF RECORD HIGH PRICES, ACTIONS OF THIS NATURE, WITHOUT PERSUASIVE JUSTIFICATION ON GROUNDS OF IMPORT REQUIREMENTS, ARE NOT IN KEEPING WITH ARTICLE 2(2) OF THE INTERNATIONAL COFFEE AGREEMENT UNDER WHICH MEMBER COUNTRIES UNDERTAKE QUOTE TO ADOPT POLICIES WHICH WILL MAINTAIN

PRICES AT LEVELS WHICH WILL ENSURE ADEQUATE RENUMERATION
TO PRODUCERS AND SEEK TO ENSURE THAT PRICES OF COFFEE TO
CONSUMERS WILL NOT HAMPER A DESIRABLE INCREASE IN CON-
SUMPTION UNQUOTE.

THE UNITED STATES GOVERNMENT BELIEVES THAT A CLEAR STATE-
MENT BY THE GOVERNMENT OF BRAZIL MORE FULLY DEFINING ITS
POLICIES WITH RESPECT TO PURCHASES FROM EXPORTING MEMBERS
OF THE AGREEMENT WOULD HELP PREVENT THESE MISUNDER-
STANDINGS FROM ARISING IN THE FUTURE. END TEXT. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COFFEE, FOREIGN MARKETS, PROCUREMENT, TEXT, AIDE MEMOIRE
Control Number: n/a
Copy: SINGLE
Draft Date: 11 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE224871
Document Source: CORE
Document Unique ID: 00
Drafter: TJO'DONNELL:BLO
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760343-1040
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760970/aaaachsa.tel
Line Count: 125
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2004 by CollinP0>; APPROVED <22 APR 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COFFEE: BRAZILIAN PURCHASE OF IVORY COAST AND MADAGASCAR COFFEE - 2ND AIDE MEMOIRE
TAGS: ETRD, EAGR, BR, IV, MA
To: BRASILIA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006